

Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 PA-01 PRS-01 H-02 L-03 INT-05 SP-02

AID-05 EB-07 NSC-05 CIEP-01 TRSE-00 SS-15 STR-04

OMB-01 CEA-01 CIAE-00 COME-00 FRB-03 INR-07 NSAE-00

XMB-02 OPIC-03 LAB-04 SIL-01 INRE-00 NSCE-00 SSO-00

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FM AMEMBASSY LIMA

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TAGS: EINV, EGEN, EMIN, PFOR, PE, US

SUBJ: MARCONA NATIONALIZATION - MARCONA DECIDES TO CANCEL
SECOND MEETING WITH GOP

REF: LIMA 6739

1. SUMMARY: MARCONA OFFICIALS (FURTH AND COMPTON) TOLD
AMBASSADOR AUGUST 19 THAT THEY HAD INFORMED GOP THEY HAD DECIDED
TO CANCEL MEETING WITH GOP COMMISSION SCHEDULED FOR THAT AFTER-
NOON. THEY SAID THEY HAD DONE SO ON BASIS OF COMMUNICATIONS
JUST RECEIVED BY MARCONA SAN FRANCISCO FROM GOP EMBASSY WASH-
INGTON THAT STATED THAT PURPOSE OF COMMISSION WAS TO INFORM
BUT NOT TO NEGOTIATE. THEY THEREFORE TOLD GOP THEY BELIEVED
NO USEFUL PURPOSE WOULD BE SERVED BY A SECOND MEETING. AMBAS-
SADOR SAID HE UNDERSTOOD AND INFORMED THEM OF GIST HIS TELE-
PHONE CONVERSATION WITH DEPARTMENT EARLIER THIS MORNING.

2. AMBASSADOR SUBSEQUENTLY RECEIVED TELEPHONE CALL FROM
AMBASSADOR DE LA PUENTE OF FOREIGN MINISTRY WHO EXPRESSED DISMAY
AT CANCELATION OF MEETING. DE LA PUENTE COVERED MUCH OF SAME
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GROUND AS AT MEETING WITH MARCONA THE DAY BEFORE. AMBASSADOR

EXPRESSED HIS DISSAPPOINTMENT AT WAY EVENTS HAD DEVELOPED AND GOP RELUCTANCE TO NEGOTIATE DESPITE ASSURANCES HE HAD RECEIVED TO THE CONTRARY. AMBASSADOR SAID THAT IN VIEW OF RECENT DEVELOPMENTS HE BELIEVED NEXT STEP UP TO GOP. DE LA PUENTE SAID HE WOULD IMMEDIATELY INFORM FOREIGN MINISTER AT CABINET MEETING THEN IN SESSION.

3. DE LA PUENTE APPEARED AGITATED AT TURN EVENTS HAVE TAKEN. WE DO NOT INTEND TO PRESS MATTERS (LIMA 6754,) BUT IN ANY CONVERSATIONS WE HAVE WITH GOP WE WILL CONTINUE TO STATE MARCONA'S POSITION THAT THEY ARE WILLING TO DISCUSS CONTRACTS AND SHIPPING, BUT ONLY IN CONTEXT OF NEGOTIATIONS ON LARGER ISSUE. END SUMMARY

4. MARCONA REPRESENTATIVES FURTH AND COMPTON CALLED ON AMBASSADOR MORNING AUGUST 19 TO REPORT THEY HAD DECIDED THAT SECOND MEETING WITH PERUVIAN COMMISSION SCHEDULED FOR THAT AFTERNOON WOULD SERVE NO USEFUL PURPOSE AND HAD TELEPHONED AMBASSADOR DE LA PUENTE AT FOREIGN MINISTRY TO SO INFORM HIM. REASON, THEY SAID, WAS THAT THEY HAD LEARNED EVENING BEFORE THAT HENRY EAST IN SAN FRANCISCO HAD ON AUGUST 18 RECEIVED LETTER FROM AMB. ARCE DATED AUGUST 14 WHICH STATED THAT (A) MEETING WAS TO BE HELD AT MARCONA REQUEST; (B) MEETING WOULD TAKE PLACE AT 3:00 P.M. AUGUST 18 IN PETROPERU BUILDING; AND (C) PURPOSE OF MEETING WOULD BE FOR EXPLANATION, NOT FOR NEGOTIATION. FURTH SAID HE HAD CONTRASTED THIS WITH RELUCTANCE BY FOREIGN MINISTY HERE AND BY PERUVIAN EMBASSY WASHINGTON TO INFORM EITHER MARCONA OR THIS EMBASSY OF TIME AND PLACE OF MEETING UNTIL LATE EVENING AUGUST 17 AND WITH ASSURANCES TO AMBASSADOR THAT THE MEETING WOULD BE FOR PURPOSES OF NEGOTIATION. FURTH HAD CONCLUDED THAT GOP DID NOT INTEND TO NEGOTIATE SERIOUSLY AND HE THEREFORE CA"CELLED MEETING. FURTH SAID IT SEEMED CLEAR TO HIM THAT GOP HAD SOUGHT TO LURE HIM TO PERU UNDER FALSE PRETENSES IN APPARENT EFFORT TO LEAD HIM TO NEGOTIATE ON CONTRACTS AND SHIPPING WITHOUT DISCUSSING CENTRAL ISSUE. CANCELLATION OF MEETING, HE THOUGHT, WOULD MAKE IT CLEAR THAT MARCONA UNDERSTOOD GOP GAME.

5. COMPTON SAID THAT DURING HIS TELEPHONE CONVERSATION WITH DE LA PUENTE, HE HAD POINTED OUT THAT DISCUSSION THE DAY BEFORE LIMITED OFFICIAL USE

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HAD BEEN IN TERMS THAT DIFFERED FROM WHAT FURTH HAD BEEN LED TO BELIEVE BEFORE HE CAME. (COMPTON COMMENTED THAT IT ALSO SEEMS CLEAR THAT, JUDGING FROM CONTENTS OF ARCE'S LETTER, HIS INSTRUCTIONS COINCIDED WITH WHAT HAPPENED AT MEETING, DESPITE DIFFERENT SIGNALS WE HAD BEEN RECEIVING HERE AT THE VERY TIME WHEN ARCE WAS PRESUMABLY DRAFTING HIS LETTER). COMPTON SAID DE LA PUENTE

RESPONDED THAT THERE MUST HAVE BEEN SOME MISUNDERSTANDING AS

IT HAD BEEN CLEAR ALL ALONG THAT COMMISSION COULD NOT ENTER INTO NEGOTIATIONS. DE LA PUENTE THEN ENLARGED AT LENGTH ON THIS POINT, CITING OVERRIDING AUTHORITY OF DECREE LAW ALTHOUGH, COMPTON COMMENTED, THERE SEEMED TO BE SOME HINT THAT NEGOTIATIONS MIGHT BE POSSIBLE IN THE FUTURE. DE LA PUENTE CONCLUDED BY EXPRESSING CONTINUING GOP INTEREST IN CONTRACTS AND SHIPPING AND SAID HE HOPED HE WOULD BE ABLE TO TALK TO COMPTON PRIVATELY AT FUNCTION AT RESIDENCE LATER THAT EVENING.

6. AMBASSADOR SAID HE UNDERSTOOD MARCONA'S POSITION AND WOULD LEAVE DECISION TO THEM. HE THEN REVIEWED HIS CONVERSATION WITH DEPARTMENT AND EMBASSY'S CONCLUSION THAT IT NOW APPEARED EVERYTHING

POSSIBLE HAD BEEN DONE AND THAT NEXT STEP WAS UP TO GOP. HE SAID COMPTON WOULD BE WELCOME TO TALK WITH DE LA PUENTE AT THE RESIDENCE, BUT THAT HE WOULD NOT URGE HIM TO DO SO.

7. DE LA PUENTE SUBSEQUENTLY CALLED AMBASSADOR ABOUT 12:30 P.M. TODAY (AUGUST 19) TO REPEAT WHAT HE HAD TOLD MARCONA NEGOTIATORS YESTERDAY, I.E. THAT THERE MUST HAVE BEEN A MISUNDERSTANDING BECAUSE GOP ALL ALONG HAD NO INTENTION TO NEGOTIATE BUT MERELY HAD AGREED AT MARCONA'S REQUEST TO DISCUSS WITH THEM FOR PURPOSES OF CLARIFICATION MEANING OF EXPROPRIATION DECREE AND NEXT STEPS OF THE PROCESS. DE LA PUENTE ALSO DESCRIBED HIS CONVERSATION EARLIER IN DAY WITH COMPTON IN WHICH MARCONA INFORMED HIM OF THE ARCE LETTER DATED AUGUST 14 WHICH ARRIVED SAN FRANCISCO AUGUST 18.

8. AMBASSADOR LISTENED PATIENTLY TO DE LA PUENTE EXPLANATION AND THEN MADE FOLLOWING POINTS:

A. IN HIS CONVERSATIONS WITH MINISTER DE LA FLOR, GARCIA BEDOYA, MINISTER TANTALEAN, AND AMB ARCE, AS WELL AS LIMITED OFFICIAL USE

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IN HIS INDIRECT MESSAGES TO PRIME MINISTER AND TO AIR MINISTER GILARDI, AND IN HIS CONVERSATION WITH JOINT STAFF CHIEF GENERAL VARGAS PRIETO, AMBASSADOR INVARIABLY TALKED ABOUT NEGOTIATIONS WITH ADEQUATE AND PROMPT COMPENSATION AS BACKDROP AGAINST WHICH ALL OTHER ISSUES WOULD BE DISCUSSED. MANY OF THESE CONVERSATIONS WERE ACCOMPANIED BY WRITTEN MEMORANDA (INCLUDING MARCONA'S REBUTTAL OF BREACH OF CONTRACT CHARGES). IN ALL OF THESE CONVERSATIONS COMPENSATION" REFERRED TO THE TOTAL MARCONA OPERATION AND NOT THE 15 PERCENT OF ROLLING STOCK, SPARE PARTS, ETC. OSTENSIBLY COVERED BY EXPROPRIATION DECREE LAW TO THE EXCLUSION OF SAN NICOLAS PROCESSING AND PELLETIZING PLANT.

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ACTION ARA-10

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B. IN HIS CONVERSATIONS WITH GARCIA BEDOYA AND IN THE ONE-AND-ONE-HALF-HOUR CONVERSATION WITH DE LA FLOR TWO WEEKS AGO AMBASSADOR HAD REFERRED SPECIFICALLY TO MARCONA'S EVALUATION OF ENTIRE OPERATION AS \$171 MILLION, TAKING INTO ACCOUNT BENEFITS OF A TEN-YEAR OPERATION IN THE FUTURE AND THE \$300-MILLION REPLACEMENT COST FOR THE PLANT. HE HAD NOTED THAT OF COURSE A FINAL NEGOTIATED SOLUTION WOULD PROBABLY PLACE THE COMPENSATION FIGURE SOMEWHERE BETWEEN THE LOWER OF THESE TWO FIGURES AND ZERO. AMBASSADOR ADDED HIS BELIEF THAT THIS APPROACH WAS FULLY UNDERSTOOD BY THE FOREIGN MINISTRY AND PROBABLY MOST OF THE OTHERS WITH WHOM HE CONVERSED.

C. AMBASSADOR THEN REFERRED TO ARCE LETTER OF AUGUST 14 AND REMINED DE LA PUENTE THAT THAT LETTER, SENT TO MARCONA SAN FRANCISCO FROM WASHINGTON, CONTAINED EXACT DATE AND TIME OF THE MEETING AND THE ADDITIONAL POINT THAT MEETING WOULD NOT BE A NEGOTIATING SESSION BUT ONLY FOR CONVERSATIONS. THIS INFORMATION HAD NOT BEEN GIVEN TO EITHER THE AMBASSADOR OR STATE DEPARTMENT (WHICH HAD ALSO BEEN INFORMED BY ARCE THAT GOP HAD AGREED TO NEGOTIATIONS) EVEN THOUGH WE HAD BEEN IN DAILY CONTACT WITH FOREIGN MINISTRY ASKING SPECIFICALLY

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FOR SUCH INFORMATION. AMBASSADOR REMINED DE LA PUENTE THAT UP TO LAST FRIDAY (DAY AFTER LETTER WAS SENT FROM PERUVIAN EMBASSY WASHINGTON BASED ON LIMA INSTRUCTIONS) HE HAD BEEN IN TOUCH WITH GARCIA BEDOYA AND DE LA PUENTE ABOUT TIME AND PLACE OF MEETING AND HAD BEEN TOLD THAT THEY DID NOT KNOW.

9. TO THIS DE LA PUENTE FIRST SAID THAT HE WAS NOT AWARE OF ARCE'S INSTRUCTIONS OR SOME OF THE PAPERS RELATING TO THE QUESTION AND THERE WAS A BIG MISUNDERSTANDING, BUT WHEN SMOKED OUT HE SAID HE WAS NOT AUTHORIZED TO TELL US. AMBASSADOR THEN TOLD DE LA PUENTE HOW DISAPPOINTED HE PERSONALLY WAS AT THE WAY THIS HAD BEEN HANDLED. HE SAID HE WAS AWARE OF GOP'S PREFERENCE THAT THE MONDAY MEETING BE BILLED AS A MARCONA INITIATIVE, BUT NOTED THAT IN FACT THE MEETING WAS RESULT OF HIS WORK AND THE WORK OF THIS EMBASSY WITH THE MANY CONVERSATIONS EMBASSY HAD SUSTAINED AT THE MINISTERIAL LEVEL. AMBASSADOR SAID HE HAD BEEN OPTIMISTIC ABOUT THE POSSIBILITY OR REAL NEGOTIATIONS TO SOLVE THIS THORNY PROBLEM, BUT OPTIMISM HAD NOW SUNK TO LOW LEVEL, AND NEXT MOVE WAS UP TO THE GOP.

10. DE LA PUENTE REITERATED HIS CONTENTION THAT THERE HAS BEEN A MISUNDERSTANDING AND SAID HE WOULD IMMEDIATELY INFORM FONMIN DE LA FLOR, THEN ATTENDING REGULARLY-SCHEDULED CABINET MEETING, OF CANCELLATION BY MARCONA AND OF CONVERSATION WITH AMBASSADOR. DE LA PUENTE EXPRESSED HIS STRONG HOPE THAT IT WOULD BE POSSIBLE FOR HIM TO TALK PRIVATELY WITH COMPTON AT RESIDENCE, TO WHICH AMBASSADOR REPLIED THAT COMPTON HAD BEEN INVITED BUT IT WAS NOT YET CERTAIN HE WOULD COME. (COMPTON HAS IN FACT DECIDED NOT TO ATTEND).

11. COMMENT: WE THINK FURTH AND COMPTON HAVE MADE THE RIGHT DECISION AND WE HOPE IT WILL SERVE TO AWAKEN GOP CONCERN. IN OUR FUTURE CONVERSATIONS WITH GOP OFFICIALS ON THIS MATTER, WE WILL CONTINUE TO RELAY MARCONA'S POSITION AS FURTH AND COMPTON HAVE EXPRESSED IT TO US, I.E., THAT MARCONA REMAINS FULLY PREPARED TO DISCUSS SHIPPING AND CONTRACTS WITH GOP BUT ONLY IN CONTEXT IN WHICH NEGOTIATIONS ARE TAKING PLACE. WE WILL ALSO CONTINUE TO TAKE POSITION OUTLINED IN LIMA 6754 THAT, WHILE WE WISH TO REMAIN AS HELPFUL AS WE CAN, AT THIS POINT IT APPEARS NEXT STEP IS UP TO GOP.
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